

HR XXX, Small Business Development Center Improvements Act

Section-by-Section Analysis

Section 1 – Short Title

This section provides that the bill may be cited as the “Small Business Development Centers Improvement Act of 2019.”

Section 2 – Use of Authorized Entrepreneurial Development Programs

This section amends the Small Business Act (15 U.S.C. §§ 631– 57s) by creating a new section 48 of the Act.

Subsection (a)—Expanded Support for Entrepreneurs.

Subsection (a) prohibits the Administrator from utilizing unauthorized programs to deliver Entrepreneurial Development (ED) services and provides that Small Business Administration (SBA) created initiatives must be delivered through those authorized programs specifically cross-referenced in this subsection. Resource partners are the only entities with specific statutory authority to deliver ED support through the SBA, and this section promotes operational efficiencies, benefiting both small businesses and the taxpayer. The only exception to this overall prohibition, in subsection (a)(2)(A), relates to assistance offered to small business concerns owned by an Indian tribe.

Subsection (b)—Annual Report.

Given that SBA-led initiatives are created under the SBA’s general authority to offer assistance to small businesses, these programs do not contain the appropriate performance metrics or operating standards that would result had Congress specifically provided for their establishment. This subsection makes an effort to fill that gap in part by requiring the SBA to issue a report to Congress delineating all ED activities during the current fiscal year. This subsection prescribes items that must be included within the report including: a description and operating details for each program and activity; operating circulars, manuals, and standard operating procedures for each program and activity; a list of all awardees, contractors, and vendors (including organization name and location) and the amounts of awards for the current fiscal year for each program and activity; the amount of funding obligated for the current fiscal year for each program and activity; and the date, names, and titles for those individuals responsible for each program and activity. The data required in the report will help ensure that the Committees of jurisdiction have the necessary information to ascertain whether taxpayer dollars are being spent wisely.

Section 3 – Marketing of Services

The Act is currently silent on the question of whether SBDCs can market and advertise their products and services. This section amends § 21 of the Act by adding a new subsection (o), which

ensures the SBDCs are able to market and advertise their products and services. Greater awareness of the services available through the SBDCs will allow more small businesses to receive entrepreneurial assistance without imposing any more financial burdens on SBDCs, the SBA, or the taxpayer.

Section 4 – Data Collection by the Small Business Development Center Association

SBA has been engaged in updating its Entrepreneurial Development Management Information System (EDMIS) to gather better performance data. The Government Accountability Office (GAO) and the Office of the Inspector General (OIG) have identified systemic issues with the performance data reported in SBA's EDMIS System. To address this issue, this section amends the Small Business Act to direct the SBA to consult with SBDC associations to develop documents governing data collection activities related to grant recipients. Section 21 is further amended to require the Administrator to provide an annual report on data collection activities related to the SBDC program, and to establish a Data Collection Working Group, consisting of members from the SBA, as well as representatives from each resource partner, to develop a plan for the collection of data and submit this plan to the Senate Committee on Small Business and Entrepreneurship and the House Committee on Small Business within 180 days.

Section 5 – Fees from Private Partnerships and Co-Sponsorships

In order to obtain funding, SBDC grantees must match funds provided by the federal government with non-federal resources, such as private donations or state funds. As a result, SBDCs work alongside other community partners, such as a local chamber of commerce, to host events as a partnership or a co-sponsor. In these instances, a participation fee may be charged to businesses by the partnership or co-sponsorship party. Under current law, SBDCs are not allowed to collect the necessary fee. This provision permits SBDCs to collect fees or other income related to the operation of partnerships or sponsorships. This does not alter the requirements for SBDCs to provide no-cost counseling to individual small businesses.

Section 6 – Equity for Small Business Development Centers

Under current law, up to \$500,000 of authorized funding to SBDCs could be utilized by the Administrator to pay \$500,000 to the America's SBDC (ASBDC) for the performance of accreditation services and an additional \$500,000 of authorized funding for SBDCs could be utilized by the Administrator for financial examinations expenses associated with reviewing SBDCs. This section eliminates the award of \$500,000 of SBDC grant monies to reimburse the SBA for program administration while raising the amount of funding to \$600,000 to be provided to the ASBDC for accreditation. This promotes ongoing accreditation, which is necessary to ensure strong SBDCs across the country.

Section 7 – Confidentiality Requirements

SBA requires SBDCs to collect certain information on the businesses that they counsel. This information is the basis for the performance metrics the agency uses to determine the effectiveness of the SBDCs in fulfilling their mission. Some of the information necessary, while relevant and necessary for the SBA and SBDCs is sensitive information that small business

would prefer to be treated as confidential. This sensitive information, such as the name of the small business, is not necessary to develop performance metrics. Its forced disclosure could dissuade small businesses from seeking assistance through SBDCs, thereby undermining the intent of Congress when it created the SBDCs. This section prohibits the SBA from distributing and sharing SBDC client information with other parties and reinforces the Committee's longstanding efforts to ensure the confidentiality of the information that small businesses provide to SBDCs.

Section 8 – Limitation on Award of Grants to Small Business Development Centers

A majority of SBDC grantees are partnered with higher education institutions, which bolster SBDCs ability to obtain private matching funds as required under the law. This section prohibits entities other than institutions of higher education from becoming grantees under section 21. An exception is provided for current SBDC grantees who are not institutions of higher education. These institutions can continue to renew their status as a grantee until they no longer wish or the SBA determines that these grandfathered grantees are incapable of providing these services. Furthermore, a rule of construction is added to make it clear that while Women's Business Centers may not lead a center under the SBDC program, they are allowed to receive funds from lead centers and to act as subgrantees.

Section 9 – Management of Program Activities

This section requires SBA to work in partnership with the SBDC program to determine program functions and services to ensure that the program best meets the needs of individual state networks and the national small business economy.

Section 10 – Authorization of Appropriations

This section authorizes appropriations in the amount of \$175 million for each fiscal year through 2023.